

Health savings account (HSA) with a limited-purpose flexible spending account (FSA) administered through Kaiser Permanente

Funds from an HSA can be used by eligible employees to pay for any qualified medical expenses as defined in IRS Publication 502, *Medical and Dental Expenses*. Funds from a limited-purpose FSA can be used to pay for qualified dental and vision expenses.

HSA and limited-purpose FSA effective date

Employers who offer the HSA and limited-purpose FSA administered through Kaiser Permanente should align their HSA and FSA effective dates with the effective date or renewal date of their Kaiser Permanente HSA-qualified plan. Changes to the HSA and FSA can only be made at renewal, and it's best to keep these dates aligned. HSA holders should talk to their tax advisor about the IRS's annual maximum contribution limits, which are based on marital status, enrollment month, and other factors.

Enrollment structure

When an HSA and limited-purpose FSA administered through Kaiser Permanente are offered, 2 enrollment units or subgroups will be set up for the associated HSA-qualified plan. Employers will enroll their employees into one of these 2 enrollment units or subgroups to allow Kaiser Permanente to distinguish between employees who are choosing the HSA-qualified plan with an HSA administered through Kaiser Permanente (opt-in) versus those who are choosing the HSA-qualified plan only (opt-out).

Employers are responsible for confirming their employees' intention to choose an HSA administered through Kaiser Permanente before enrollment in the HSA-qualified plan and for placing employees into the correct enrollment unit or subgroup. A Social Security number must be provided for all employees who are choosing the HSA administered through Kaiser Permanente.

Only employees who choose the HSA administered through Kaiser Permanente will be eligible to participate in the limited-purpose FSA. Details on the HSA contribution and FSA enrollment file setup will be provided during the setup process.

Note: Employers who want to set up multiple locations or divisions with separate funding or billing sources for their HSA or FSA should discuss this with their Kaiser Permanente representative before the setup process. Making this type of change during the setup process will affect their enrollment structure and accounts setup reporting and timing.

HSA and FSA fees and banking arrangements

Monthly administrative fee

The monthly administrative fee is \$3.25 per account per month and applies to all employees choosing an HSA only or an HSA and a limited-purpose FSA. This fee is paid by the employer for all accounts for any account holder (i.e., active employees, COBRA members, or retirees). See **Banking arrangements** for details on how the monthly administrative fees are charged.

Setup fees

Standard setup: No fee

Nonstandard/custom setup: Setup fees for a custom or nonstandard HSA and FSA setup will be determined based on the customer's specific request. Any request for an option or capability not presented in this document will be considered a custom or nonstandard request.

Banking arrangements

Kaiser Permanente Health Payment Services manages claims funding and monthly administrative fees via Automated Clearing House (ACH) transactions. During the setup process, the employer will complete and sign an ACH form to indicate which bank account they want the ACH transactions debited from.

For FSA claims, which include any health payment card transactions or manually filed claims, our system will batch the total claims daily. Employers will be notified of the total amount to be debited via ACH, usually 24 hours before the debit is initiated.

HSA and FSA monthly administrative fees are charged during the month of the administrative services and are debited on the first business day on or after the 27th of each month. Employers will get an "Employer Fee Funding Notification" email, usually 24 hours before the ACH transaction. Through the Employer Administration Portal, they'll also have access to multiple reports that can be used to reconcile all ACH transactions each month.

Details about the HSA

HSA funding methods

An HSA can be funded by the employer, the account holder, or an external party in a variety of ways:

- Account holder payroll withholdings
- Check contributions
- E-contributions through an online bank transfer
- Earned wellness contributions
- One-time or recurring employer contributions

See **Employee account activation** for more details on when account holders can start using HSA funds.

HSA balance transfer/rollover

Account holders who want to transfer or roll over an existing HSA balance to their new HSA administered through Kaiser Permanente will be provided with the Direct Rollover-Transfer Form. This form will provide instructions for either authorizing Kaiser Permanente to receive a transfer of assets directly from the existing HSA custodian, or for the account holder to make a rollover using a mailed check. This form can be distributed by the employer, requested from Kaiser Permanente Health Payment Services, or downloaded by account holders on the Health Payment Online Portal.

HSA investment options

When the average daily balance of an account holder's HSA reaches, and is maintained at, \$2,000 for any month, the account holder will be eligible to invest amounts above their \$2,000 balance into their choice of available mutual funds. Funds above the \$2,000 balance can be set to automatically sweep into the account holder's mutual fund selection(s). Account holders can manage their investment account at kp.org/healthpayment.

An annual investment fee of 0.25% will apply to the account holder's HSA investment account(s). This fee will be debited from the current balance in 4 separate quarterly installments.

As with all investments, mutual funds involve risk. Investments are not FDIC-insured and may lose value. HealthcareBank acts solely as custodian, with any mutual funds being offered and sold through a registered broker-dealer by prospectus only.

Employee account activation

Employees choosing an HSA administered through Kaiser Permanente will be required to pass identity verification and sign on to the Health Payment Online Portal to activate their HSA. Contributions will then post to the account, and their HSA setup will be completed.

Activation includes the online acceptance of our HSA terms and conditions as well as electronically signing our HSA Disclosure and Authorization Agreement, which allows us to share the employee's personal information for the purposes of administering the HSA. Any contributions pulled from the employer's account before the account is activated will be pended and unavailable to the account holder until they sign on to the Health Payment Online Portal and accept these agreements.

If the online terms and conditions and the disclosure and authorization agreement are accepted in a month later than the month of the employee's enrollment in the HSA-qualified health plan enrollment unit or subgroup associated with the HSA administered through Kaiser Permanente, the monthly administrative fees will be retroactively billed back to the month of the employee's initial enrollment in the health plan. See **Enrollment structure** and **Monthly administrative fee**.

Employees enrolled in the opt-in enrollment unit or subgroup will get a Kaiser Permanente health payment card. It will include a notice advising them to activate their health payment card and sign on to kp.org/healthpayment, where they can accept the terms and conditions and Disclosure and Authorization Agreement. They'll also get a welcome letter reminding them to sign on to their account online.

Employee Pay to Provider setup

After account holders activate their HSA, they will need to enable Pay to Provider by visiting the Dashboard page on the Health Payment Online Portal. They will need to authorize Kaiser Permanente to include their medical claims and, if applicable, pharmacy claims on our claims exchange, as well as enable automatic payment or reimbursement from their HSA for those claims.

At any time, account holders can turn off automatic payments or revoke the authorization for our claims exchange. If automatic payment is turned off, any claims sent through our claims exchange will load into the account holder's Dashboard online, but no additional action will be taken. Account holders will be responsible for paying any cost share bills received from Kaiser Permanente.

HSA contribution file submission

HSA contributions made with payroll withholdings or by the employer are submitted through a contribution file provided to Kaiser Permanente Health Payment Services by the employer or their designee. The contribution file indicates the applicable employees and contribution amounts for any specific period. Typically, the timing of the contribution file submission is tied to the employer's payroll schedule. However, the schedule can be customized by the employer or a third-party administrator (TPA).

Contribution file provider:

- Employer group
- Third-party administrator (TPA)

Contribution file type: The contribution file is sent in one of the following formats, which will be determined during the setup process:

- **CSV file format:** This file is uploaded to the Employer Administration Portal.
- **SFTP:** Available to employer groups with 200 or more employees. This file is uploaded to a Secure File Transfer Protocol (SFTP) site provided to the employer during the setup process.

Details about the limited-purpose FSA

FSA funding and employer options

All accounts will be funded through a daily ACH pull as claims are incurred, including health payment card transactions. Monthly administrative fees will be pulled through an ACH transaction each month. Accounts are notional, and funds will be pulled from the employer's account only as claims or monthly administrative fees are incurred.

Contributions made through payroll withholding will follow the employer's payroll schedule. However, account holders will have access to 100% of their limited-purpose FSA annual contribution on their effective date.

FSA contribution limit

The IRS sets maximum contribution limits each year for FSAs. The employer can set a lower maximum to reduce their exposure, as well as a minimum contribution limit. Please see Publication 969, *Health Savings Accounts and Other Tax-Favored Health Plans*, for the current IRS maximum contribution limits.

FSA rollover/grace period

The employer can select one of these options, or choose to offer neither:

- **Rollover:** Rollover allows up to \$500 of unused FSA funds to carry over to the following FSA coverage period.
- **Grace period:** A grace period gives FSA holders extra time to use any money left in their account at the end of the FSA coverage period. With this option, they can continue using unused funds to pay for eligible expenses during the first 2 months, plus the first 15 days of the third month, after the end of the coverage period.

FSA run-out period

The run-out period gives employees an extra 90 days after the end of the FSA coverage period to submit reimbursement claims for qualified expenses incurred during the coverage period. After the run-out period, no claims for the FSA coverage period can be submitted. The run-out period starts at the end of the FSA coverage period or when an employee is terminated from the FSA.

FSA election and contribution file submission

FSA elections made through payroll are submitted via an enrollment file provided to Kaiser Permanente Health Payment Services. The enrollment file indicates the applicable employees and election amounts for the FSA coverage period.

Enrollment file provider:

- Employer group
- Third-party administrator (TPA)

Enrollment file type: The enrollment file is sent in one of the following formats, which will be determined during the setup process:

- **CSV file format:** This file is uploaded to the Employer Administration Portal.
- **SFTP:** Available to employer groups with 200 or more employees. This file is uploaded to a Secure File Transfer Protocol (SFTP) site provided to the employer during the setup process.

Wellness contributions

Employer HSA or FSA contributions made as a result of an employee completing wellness activities are submitted through a contribution file provided to Kaiser Permanente Health Payment Services. The contribution file indicates the applicable contribution amounts for any specific period.

Contribution file provider: The wellness contribution file can be sent by any of the following parties:

- Employer group
- Kaiser Permanente Workforce Health
- Wellness administrator
- Third-party administrator (TPA)

Contribution file type: The wellness contribution file can be sent in one of these formats, which will be determined during the setup process:

- **CSV file format:** This file is uploaded to the Employer Administration Portal.
- **SFTP:** Available to employer groups with 200 or more employees. This file is uploaded to a Secure File Transfer Protocol (SFTP) site provided to the employer during the setup process.

Employer reporting

There are several reports available to all Kaiser Permanente employer groups via the Employer Administration Portal. Access to these reports will be discussed during the setup process.

HSA reports

- **HSA Account Detail Report:** Gives an overview of each account holder's HSA along with individual payroll deduction and employer contribution details at a tax-year or year-to-date level.
- **Reconciliation by Batched EFTs Report:** Shows a summary and detail of all transactions from the employer's bank account associated with the HSA.
- **ACH Based Employer Funding Report:** Shows all HSA transaction data for payroll deductions, employer contributions, and wellness contributions.
- **HSA Employer Summary Report:** Provides an account summary of the balances and other statistics for the employer's HSA.

FSA reports

- **Payment History Report:** Summarizes the amount issued in checks, direct deposits, and health payment card transactions (if applicable) for the previous month. The report is available on the Employer Administration Portal on the second calendar day of the month.
- **Account Balance Detail Report:** Shows each account holder's election, claims paid, deposits, and available balance. This report is a snapshot (at the time the report is generated) of account holder health payment accounts for each specific coverage period.
- **Reconciliation by Batched EFTs Report:** Provides information to reconcile bank statements and is generated on a weekly basis.
- **Enrollment Report:** Includes data on the account holders' annual elections, employer contributions (if applicable), and payroll deduction amounts.
- **Account Statement by Participant Report:** Includes account statements for all of an employer's participating employees for a chosen coverage period and specified date range.
- **Repayment Report:** Shows all repayments that were created, scheduled, received, applied, and canceled for a specific time period.

If additional reports or reporting data are needed, employers can contact Kaiser Permanente Health Payment Services to submit a request.

The setup process

Time frame: Once an employer chooses the HSA and limited-purpose FSA administered through Kaiser Permanente, we can begin the setup process. During setup, the employer will receive all required forms and agreements that need to be signed. They'll also be guided on where and how to send eligibility and contribution files for the HSA and FSA. If the employer completes all the setup steps in a timely manner as specified in the setup process timeline, account holders can expect to receive welcome letters and, if applicable, health payment cards about 20 business days after Kaiser Permanente gets the required forms and agreements. Employers with a January 1 effective date can expect a time frame of 45 business days.

Required forms:

- Design Guide
- Administrative Services Agreement for Employment-Related Financial Account Programs
- Administration and Recordkeeping Services for Health Savings Accounts (HSAs)
- Administration and Recordkeeping Services for Flexible Spending Accounts (FSAs)
- Administrative Fees Applicable to Stacked Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs)
- Business Associate Agreement (for FSA)
- ACH form (for HSA)
- ACH form (for FSA)

Account holder fund access

HSA holders will only have access to the funds that have been contributed into and posted to their account to date. See **Employee account activation**. FSA holders will have access to 100% of their limited-purpose FSA annual contribution on their effective date. Additionally, account holders will need to take action on the Health Payment Online Portal to enable automatic payment or reimbursement from their HSA and FSA. See **Pay to Provider setup**.

Medical expenses

Pay to Provider: For most medical services received at Kaiser Permanente facilities, account holders will not be charged out of pocket when they check in. After the medical claim has been processed, it will be automatically submitted to the HSA. The account holder's cost share for qualified services will be paid to Kaiser Permanente from the HSA. If the HSA is unable to issue payment to Kaiser Permanente, it will issue payment to the account holder, who will be responsible for paying any cost share bills received from Kaiser Permanente.

Pharmacy expenses are not eligible for Pay to Provider. See **Pharmacy expenses** for more information.

Automatic account holder reimbursement: For certain services, including visits to contracted or other non-Kaiser Permanente providers, account holders may be asked to make a payment at check-in. After the medical claim has been processed, an HSA distribution request will be automatically filed for the account holder. The distribution request amount will be equal to the total amount owed for the qualified services received, including any amount not covered by the payment made during the visit. The account holder will be responsible for paying any cost share amounts still owed to Kaiser Permanente.

Requesting reimbursement: Not all claims will be filed for automatic payment or reimbursement. Certain claims, including vision claims, will require the account holder to request a distribution or file a claim for reimbursement using the electronic or paper reimbursement option.

- **Electronic reimbursement:** Account holders can use the Health Payment Online Portal or KP Balance Tracker app to request reimbursement. Both tools are available to all account holders whether or not they have single sign-on access at kp.org.
- **Paper reimbursement:** Account holders can use the HSA Distribution Request Form or FSA Reimbursement Request Form to submit requests by fax, mail, or email. These forms can be downloaded from the Health Payment Online Portal or requested by calling Kaiser Permanente Health Payment Services.

Health payment card: Employers can make a Kaiser Permanente health payment card available to pay vision hardware or dental expenses from the HSA and FSA.

Pharmacy expenses

For qualified pharmacy expenses, employers can make HSA funds available to account holders using one of these options:

- **Health payment card:** Account holders will get a Kaiser Permanente health payment card, which works like a debit card. It's the most convenient way for employees to use their HSA funds to pay qualified expenses when they get care or a bill. If account holders pay out of pocket for pharmacy expenses, they have the option to request reimbursement from their HSA using the electronic or paper option.
- **Automatic reimbursement:** Account holders will pay out of pocket for pharmacy services. After the pharmacy claim has been processed, a distribution request will be automatically filed for the account holder. The distribution request amount will be equal to the total amount owed for the qualified services received, including any amount not covered by the payment made during the visit. The account holder will be responsible for paying any cost share amounts still owed to Kaiser Permanente.
- **Electronic or paper reimbursement:** Account holders will pay out of pocket for pharmacy services. After the visit, the account holder will need to request a distribution for reimbursement from their HSA. See **Electronic reimbursement** and **Paper reimbursement** for more information.

Account holder account management

Account holders have many support resources available to them, including the Health Payment Online Portal, where they can manage their HSA, FSA, and investment account online, and the KP Balance Tracker app, which allows them to manage their HSA and FSA from their mobile device.

They also have 24/7 access to a bilingual IVR phone line where they can check their account balances, and get the support of a dedicated team of specialists at Kaiser Permanente Health Payment Services. Kaiser Permanente also offers a variety of educational and support tools to help employees understand and use their health plan and their HSA and FSA. Employers can contact their Kaiser Permanente representative to discuss a communication plan.

Employees whose Kaiser Permanente health plan coverage terminates

Employees with an active HSA and limited-purpose FSA administered through Kaiser Permanente whose employer-sponsored HSA-qualified plan coverage terminates can keep their HSA active. However, the way they access their account online will change, and they'll become responsible for the monthly administrative fee.

- **Health Payment Online Portal access:** Account holders terminating from the employer-sponsored Kaiser Permanente HSA-qualified plan associated with the HSA administered through Kaiser Permanente will lose single sign-on access to their HSA and investment account, if applicable, through kp.org and kp.org/healthpayment. However, their account(s) can still be accessed at kp.org/healthexpense, where a new username and password will need to be created.
- **Administrative fee:** Account holders will have the administrative fee pulled from their HSA on a monthly basis following the month of their termination from the plan.
- **COBRA:** If an employer chooses to extend HSA and FSA eligibility to COBRA participants, single sign-on access will remain available. In that case, the employer will continue to be billed the monthly administrative fee for the duration of the account holder's COBRA participation.